

# Investor Alert

from the  
Kansas Securities Commissioner



## How Older Americans Can Avoid Investment Fraud and Abuse

Older Americans are the number one targets of investment con artists. Additionally, stock brokers and financial planners who engage in abusive practices often seek out the elderly. Here are ten tips to avoid becoming a victim of investment fraud.

1. **Don't be a courtesy victim.** Older Americans are of the generation that was taught to be courteous at all times to phone callers, as well as to people who visit them at home. Con artists will not hesitate to exploit the "good manners" of a potential victim. Remember that a stranger who calls and asks for your money is to be regarded with the utmost caution. You are under absolutely no obligation to stay on the telephone with a stranger who wants your money. In these circumstances, it is not impolite to state that you are not interested and to hang up the phone.

2. **Check out strangers touting deals.** Trusting strangers is a mistake that all too many people make when it comes to their personal finances. Say "no" to any investment professional or salesperson who presses you to make

an immediate decision. Before you part with your hard-earned savings, get written information about the investment opportunity, review it carefully, and make sure that you understand all of the risks involved.

3. **Always stay in charge of your money.** A stock broker, financial planner, or telemarketing con artist who wants your money will be more than happy to assure you that he or she can handle everything, thereby relieving you of the need to watch over and protect your nest egg. Beware of any financial professional who suggests putting your money into something that you don't understand, or who urges that you leave everything in his or her hands.

4. **Never judge a person's integrity by how he or she "sounds."** All too many older Americans who get wiped out by con artists later explain that the swindler "sounded like such a nice young man (or woman)." Successful con artists sound extremely professional and have the ability to make even the flimsiest investment deal seem as safe and sound as putting money in the bank. Remember that the *sound*

of a voice (particularly on the telephone) has no bearing on the *soundness* of an investment opportunity.

5. **Watch out for salespeople who prey on your fears.** Con artists know that many older Americans worry that they will either outlive their savings or see all of their financial resources vanish overnight as the result of a catastrophic event, such as a costly hospitalization. As a result, it is common for swindlers and abusive salespeople to pitch their schemes as a way for older Americans to build up their life savings to the point where such fears are no longer necessary. Remember that fear and greed can cloud your good judgment and leave you in a much worse financial posture.

6. **Exercise particular caution if you are an older woman with no experience handling money.** Ask a con artist to describe his ideal victim and you are likely to hear the following two words: "elderly widow." Sadly, many women who are now in their retirement years often received little or no education about how to handle money. Women

of this generation often relied on their husbands to handle most or all major money decisions. As a result, older women (particularly those who have received windfall insurance payments in the wake of the death of a spouse) are prime targets for con artists. Elderly women who are on their own and have little know-how about handling money should always seek the advice of family members or an objective professional before deciding what to do with their savings.

7. **Monitor your investments and ask tough questions.** Too many older Americans not only trust unscrupulous investment professionals and outright con artists to make initial financial decisions for them, but compound their error by failing to keep an eye on the progress of the investment. Insist on regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds. Do not be swayed by assurances that such practices are routine or in your best interest. When you suspect that something is amiss and get unsatisfactory explanations, call the Kansas Securities Commissioner and file a complaint.

8. **Look for trouble retrieving your principal or cashing out profits.** Many older Americans have little ongoing need for invested funds, while others need returns that are paid out to them regularly in order to supplement limited incomes. If a stockbroker, financial planner, or other individual with whom you have invested stalls you when you want to pull out your principal or profits, you may have uncovered someone who wants to cheat you. Since

unscrupulous investment promoters pocket the funds of their victims, they often go to great lengths to explain why an investor's savings are not readily accessible. In many cases, they will pressure the investor to "roll over" nonexistent "profits" into new and even more alluring investments, thus further delaying the point at which the fraud will be uncovered.

9. **Don't let embarrassment or fear keep you from reporting investment fraud or abuse.** Older Americans who fail to report that they have been victimized in financial schemes often hesitate out of embarrassment or the fear that they will be judged incapable of handling their own affairs. Recognize that con artists know about such sensitivities and, in fact, even count on these fears preventing or delaying the point at which authorities are notified of a scam. While it is true that most money lost to investment fraud is rarely recovered beyond pennies on the dollar, there also are many cases in which people who recognize early on that they have been misled about an investment are then able to recover some or all of their funds by being a "squeaky wheel."

10. **Beware of "reload" scams.** Younger Americans who are swindled have the opportunity to pick themselves up and restore some or all of their losses through new earnings. However, most older Americans are dealing with a finite amount of money that is unlikely to be replenished in the event of fraud or abuse. The result is a panic that is well known to con artists, who have developed schemes to take a "second

bite" out of people who already have been victimized. Faced with a loss of funds, some senior citizens will go along with another scheme in which the con artist promises to make good on the original funds that were lost...and possibly even generate new returns beyond those originally promised. Though the desire to make up lost financial ground is understandable, all too often the result is that unwary senior citizens lose whatever savings they had left in the wake of the initial scam.

## Ask for Help

The Office of the Kansas Securities Commissioner investigates complaints relating to fraud or dishonest practices in the offering and sale of investments and investment advice. By reporting a problem quickly there is a better chance of resolving it, and you may be able to keep others from becoming victims.

**Topeka Location:**  
618 S. Kansas Avenue  
Topeka, KS 66603-3804  
(785) 296-3307

**Wichita Location:**  
230 E. William, Ste. 7080  
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